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Vol. 26, No. 26 June 29, 1992

NEWS BRIEFS

NRA asks USDA to relax school pizza-meat rules

WASHINGTON — The National Restaurant Association has asked the Department of Agriculture to accept local health laws as adequate safeguards for schools' sales of meat-topped pizzas from local pizzerias.

In the wake of Congress' recent passage of legislation allowing schools to sell pizzas from neighborhood restaurants, the USDA has proposed pizza-meat safety regulations that the NRA calls "complex and duplicative." The association said the proposed rules give an unfair advantage to makers of frozen pizza and replicate the Food and Drug Administration codes on which most state and local health agencies base their restaurant-food protection programs.

Testifying on behalf of the association, Steve Frisbie, a Godfather's pizza spokesman, said the restaurant industry "does not believe this is a food safety issue, but rather a competitive issue between frozen pizza producers who currently enjoy a competition-free environment . . . and the makers of fresh pizza products who want nothing more than equal access to the school lunch program market."

Sbarro pink slip hits operations VP in latest cutback

COMMACK, N.Y. — Frank Montaño has left Sbarro Inc. following a move by the company that eliminated the post of operations vice president, a position he held for two years.

The latest in a series of executive departures leaves four members of the Sbarro family in charge of the publicly held company's top executive posts. Anthony, Joseph and Jerry Sbarro are serving as zone vice presidents. Mario Sbarro, who is chairman and president, continues to oversee those posts.

Montaño, a two-year veteran of the 500-unit pizza and pasta chain, would not discuss details of his termination pending discussions with the company on his departure.

Sbarro did not return phone calls.

An estimated 40 executives and upper managers have been let go by the company since January.

Senate Finance Committee passes TJTC extension

WASHINGTON — The Senate Finance Committee has approved legislation extending for 18 months a dozen tax credits set to expire on June 30, including the targeted jobs tax credit, TJTC, enthusiastically supported by the restaurant industry.

The measure now goes to the full Senate. The House Ways and Means Committee is expected also to extend similar credits in its urban-aid package. Earlier this year Congress included the extended credits in its ill-fated economic recovery package, which President Bush vetoed.

TJTC allows employers to claim a 40-percent tax credit on first-year wages of up to $6,000 paid to disadvantaged employees who fall into nine targeted groups, including disabled people referred by state vocational rehabilitation programs; economically disadvantaged Vietnam veterans; economically disadvantaged ex-convicts hired within five years of their release from prison or date of conviction; and some recipients of federal, state and local aid.

In addition to extending TJTC through 1993, the committee also expanded one of the target groups eligible for a tax credit by providing tax credits for employing economically disadvantaged youths aged 18 to 24. Previously, the credit was only extended to age 22.

Hofmeister closes LA culinary school for reorganization

BURBANK, Calif. — Blaming the "slow restaurant business climate in Los Angeles" for a drain on resources, chef Raimund Hofmeister has closed the 8-month-old Los Angeles International Culinary Institute here, including its Classroom and Equestrian Bar and Grill restaurants.

He said the multimillion-dollar institute "will take advantage of a brief hiatus in order to restructure financially and internally." Currently awaiting permits to operate a newly leased off-campus bakery facility in Burbank, Hofmeister said classes for LAICI's 44 students are expected to resume there July 6 on an interim basis.

A former U.S. Culinary Olympics Team gold medalist, Hofmeister was the executive chef of the Century Plaza Hotel in Los Angeles for 12 years until he resigned last year to launch the institute at the Los Angeles Equestrian Center in Griffith Park. The launch of the chefs academy, the first of its kind in Los Angeles, had been delayed for more than two years by financing difficulties and a series of relocations from proposed development sites.

Gladstone's parent gets bank, REGI to relieve debts

LOS ANGELES — California Beach Restaurants, the debt-strapped owner of the Gladstone's 4 Fish and RJ's the Rib Joint landmarks here, said it reached a forbearance and preliminary restructuring agreement with its bank, which previously had accelerated amounts due from a defaulted $10 million loan to the company's Sea View Restaurants subsidiary.

Under conditions requiring the company to raise $1 million in new equity capital and redraft a $5 million promissory note held by Restaurant Enterprises Group Inc., California Beach said it reached an agreement in principle with REGI to exchange its note for a 10-percent stake in the restructured company and a $1.9 million note.

In April California Beach said it might have sought bankruptcy protection if Bank of America had tried to seize its two restaurants, which generated sales of about $18 million last year. The company's contemplated Chapter 11 filing was divulged within days of the resignation of Robert J. Morris, the founder of Gladstone's and RJ's, as California Beach's chairman and chief executive.

Alan Redhead, formerly chief executive of the old Hungry Tiger dinner-house chain, has been named to replace Morris as California Beach's chief executive.

HRC's Morton files new suit to block Chicago 'knock-off'

CHICAGO — Hard Rock Cafe co-founder Peter Morton and investors in his HRC branch here have filed suit in federal court against the owners of the planned Planet Hollywood restaurant in Chicago.

The suit is Morton's third targeting the alleged "knock-off" concept that debuted in New York last year. The Los Angeles-based restaurateur, president of the 11-unit Hard Rock America, again alleged that Planet Hollywood would illegally copy Hard Rock's entertainment- and music-themed format.

Seeking unspecified damages and an injunction against building or operating the Chicago branch, he charged the concept's owners with infringing on and diluting his trademarks, stealing trade secrets and engaging in unfair competition. Morton and affiliated investors previously filed a similar suit in an effort to block a planned Planet Hollywood in Costa Mesa, Calif.

Earlier, Morton sued the New York-based restaurant company and Britain's Rank Organisation PLC — holder of the half of the rights to Hard Rock not owned by Morton — for more than $1 billion for their alleged conspiracy to devalue and acquire his restaurants by opening Planet Hollywoods in his exclusive HRC territory west of the Mississippi.

Della Femina to open eatery on Long Island

NEW YORK — Jerry Della Femina, one of Madison Avenue's highest-profile advertising executives, has resigned from Della Femina McNamee, the agency he founded 25 years ago, and unveiled plans to open a restaurant in trendy East Hampton, N.Y.

Della Femina, 55, said the restaurant is tentatively scheduled to open in August on the site of a building he owns.

Della Femina is credited with the creation of Joe Isuzu, the lying car salesman.

OPERATIONS

Prime rib is a tour group favorite in Monterey

"The No. 1 menu item for tour groups is prime rib," according to Don Cope, executive chef of the Doubletree Hotel in Monterey, a major tourist and resort area on the California coastline below San Francisco. "We get a lot of tours, and that's what just about all of them want, roast prime rib of beef."

Cope, who has been executive chef at the hotel since 1990, specifies all of the food used in the operation, which includes two restaurants, banquet service and room service. "I revised the specs I found when I got here," he said, "but the suppliers I use are still the same ones my predecessor used. I like working with suppliers I know and trust."

The kitchen staff is 19, including Cope, who runs a two-shift operation. The stewarding staff is 11 on a three-shift day. "All of the food for the restaurants, room service and banquet is prepared by the kitchen staff," Cope explained. "We have a separate banquet kitchen behind our regular kitchen, but we are able to handle even large-scale sitdown dinners with our existing preparation staff. We do pull personnel from other departments for dish-up when we have a big party, but we don't add to the basic prep crew."

Cope uses three meat suppliers on the Monterey Peninsula and says he gets excellent results from them. "Among them I can get everything I need," he noted. "Although there are other outside suppliers who come in here offering to service us, you can't spread the business too far. I'm happy with the suppliers I have.

"Our local meat houses are really responsive to service. If something comes up in the morning, where we have to put extra meals out or there's a special party coming up, I can call in my order and get a delivery in a couple of hours, because they're all close by.

"Pete Santos, our purchasing director, actually does the ordering, but we buy by IMPS numbers, and we have very little problem. He does the receiving, and I kind of keep my eye on the meat quality. It's very seldom that we get an off-spec order. Any returns we may make are usually on the basis of size. We'll order a 12-to 14-pound strip, for example, and get in a 15 or larger.

Doubletree Hotel Monterey

Monterey, Calif.
Operation: 374-room luxury hotel with two restaurants, banquet service and room service.
No. of seats: Peter B's, 120; Plazatree, 160; banquets up to 800.
Menu: Peter B's — contemporary, regional with continental and Oriental influences; Plazatree — American, California.
Meals: Peter B's, dinner; Plazatree, breakfast, lunch and dinner.
Food specification: Don Cope, executive chef.
Key buyer: Pete Santos, director of purchasing.

That doesn't fit our plate arrangement or food costs, so it would go back, but even that doesn't happen often. Our suppliers know what we want, and we usually get it."

Seafood is a big item in this fishing port, and Cope's menus have a good selection of poultry items. "But beef is still at the top of the popularity list, especially with tourists," Cope pointed out. "We primarily buy prime rib, loins and tenderloins. When people are on vacation, they want to eat what they like, and they like beef."

For his banquets, London broil is a favorite, and Cope uses a lot of flank steak. "It used to be an inexpensive cut of meat, but it's not anymore," he said. "Anyone who has eaten so-called London broil made with round or clod, as so many supermarkets misname it, really enjoys properly prepared top-grade flank steak, the traditional ingredient for that entrée."

This summer, the hotel, which is rated four diamonds by the American Automobile Association's rating system, is featuring strawberries, garlic and artichokes, all local California coast agricultural products, at its upscale Peter B's restaurant.

"Beef works well with all of them," Cope pointed out. "June strawberry desserts go great after a beef entrée. In July we're featuring an elephant-garlic-stuffed beef filet, and in August we will have twin tournedos of beef on artichoke bottoms with two sauces."

Cope is very conscious of the wealth of fresh produce that's available in the area, which is right next door to California's Salinas Valley, lettuce bowl of the nation. "We get the freshest vegetables all year around," he emphasized. "People don't want just meat and potatoes even when they come visiting from areas where those are traditional. They still want the meat, and they want it good but they also welcome fresh vegetables cooked just right."

That's a big part of Cope's job: making sure that the ingredients are the finest available, and that they are prepared to their best advantage. "We do a lot with sauces, in a typical Western combination of both continental and Oriental techniques. It all blends well into California cuisine."

Cope is a native of Phoenix and has made career stops at Westin hotels in Salt Lake City, Denver and Los Angeles as well as the Registry Resort in Scottsdale, Ariz. He credits chef Raymond Hoffmeister of the Westin Century Plaza in Los Angeles for influencing his cooking and management styles.

Some things Cope has noted in recent years: "People are ordering somewhat smaller meat portions than they used to, but they still want meat, particularly beef. Many are conscious of fat, so in the kitchen we're far more concerned with trim than we used to be."

In addition, Cope noted that Westerners are still big beefsteak fans. "Loin steaks and filets are still among the most popular items on the menu, even in a seafood town like this one," he said. "But it's critical that you buy the best beef and make sure it's prepared properly, the way the patron wants it."

NEWS

AMEX study: Diners seek quality, not trendiness

CHICAGO — Diners in the '90s are more interested in quality and value than in trendiness when they choose a restaurant, according to research presented here.

Today's consumers want to receive such benefits as excellent service or a comfortable setting for their dining-out dollars, researcher Barbara Caplan told about 300 restaurateurs attending American Express' ninth annual briefing breakfast last month.

"The name and reputation of a restaurant are still highly important," said Caplan, vice president of Yankelovich Clancy Shulman. But the emphasis is shifting from the imagery of status to the emotional and concrete benefits that restaurants deliver. The relentless search for the new and trendy that obsessed us in the '70s and '80s has run its course."

Caplan made the remarks while she presented the results from an exclusive study commissioned by American Express for restaurant operators. Since 1971 her company's Yankelovich Monitor has tracked social trends and consumer attitudes.

Basic experiences are "in," and pretention is "out," with consumers seeking personal satisfaction revolving around comfort and pleasure, Caplan said. A return in focus on spending time with the family also is part of the shift in values.

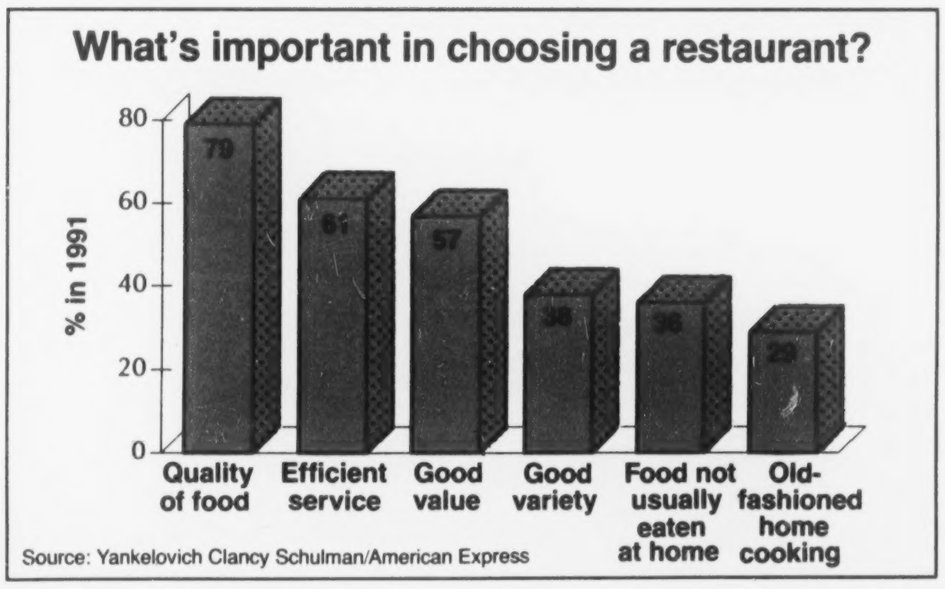
"Capturing the idea best is the simple notion of feeling good, feeling noticed and cared for, just having a good time," Caplan said. "Eating out should ease stress, not create it."

She cited the success of General Mills' Olive Garden chain, which was created based on research that showed consumers wanted big tables, hefty portions and a relaxing atmosphere in which to eat.

Similarly, while nutrition is still a factor that operators can't afford to ignore completely, concern over healthful eating seems to be less important to American diners now than in the recent past, the research showed, at least when it comes to dining out. Some 62 percent of consumers in 1991 said they don't worry about nutrition when they eat out, up from 59 percent in 1990.

"Obsession with the physical self is giving way to a balance between control and indulgence," Caplan said, adding that it's probably wise for operators to keep providing healthful "options" on their menus. "Consumers are worrying more but doing less."

Meanwhile, service remains very important to consumers, Caplan said, adding that it's important to create an atmosphere where customer feedback — good or bad — is encouraged.



She pointed to the Cypress Club in San Francisco as an example, talking about how owner John Cunin constantly solicits comments from customers and responds promptly to complaints with a free dessert or gift certificate.

Environmental concerns ebb

While service continues to be a key part of attracting repeat business, concerns over the environment have eased somewhat among consumers, Caplan reported. Nonetheless, many consumers still expect businesses to address green issues.

"All things being equal, consumers will choose brands that make an effort to act in a responsible way," she said.

At the same time value, defined in terms of quality in relationship to price, not just price, is very important to consumers.

"There's the belief that quality need not require top dollar," Caplan said, "nor does value require deep discounting."

Brand loyalty is another area that can be valuable for operators, especially with a highly saturated marketplace, Caplan said.

"People want a restaurant they like, a place they can call 'my place,'" she explained. "Make your identity and promises clear and keep them consistently."

Tips for success

Drawing some conclusions from the research, Caplan recommended:

- Utilizing all resources, from local press to hotel concierges, to get people to eat out.
- Not forgetting such key niches as the Baby Boomers and seniors, remembering that the first boomers turn 50 in just four years.
- Creating an environment that promises and delivers personal satisfaction for customers and employees alike.

In addition to the annual briefing breakfast held during the National Restaurant Association show, American Express also sponsors several other restaurant industry programs. It is the national sponsor of Share Our Strength's Taste of the Nation, the industry's largest fund-raising effort to fight hunger, and is a national founding sponsor of the Distinguished Restaurants of North America's award program.

American Express also sponsors two important events presented by Nation's Restaurant News: the Multi-Unit Food Service Operators Golden Chain awards banquet and NRN's Fine Dining Hall of Fame luncheon.

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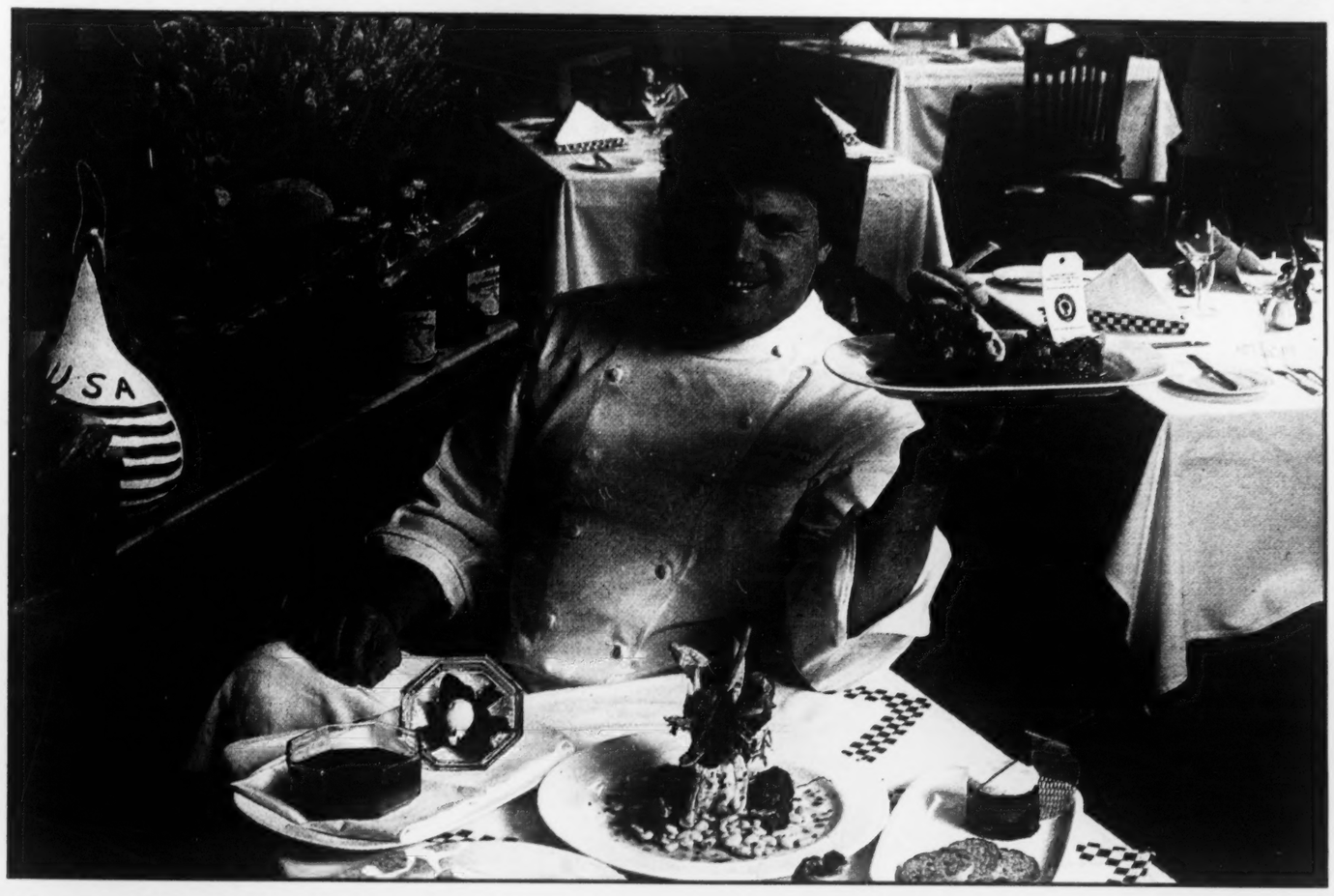


Chef David Burke in the 6-month-old Park Avenue Cafe in Manhattan.

NYC's Park Ave. Cafe: A break from convention

by Pamela Parseghian

NEW YORK — Cute ceramic bunnies and green-checkered seat cushions are not what most people expect to find in a fashionable Park Avenue restaurant.

But when chef David Burke and restaurateur Alan Stillman opened the 160-seat Park Avenue Cafe here six months ago, the idea of establishing yet another serious, elegant restaurant was the furthest thing from their minds.

In fact, the casual and relaxed country American atmosphere at Park Avenue Cafe is a complete transformation from the location's previous upscale occupants, Huberts and Perigord Park.

Mix-matched plates stored on wooden plate racks, early American antiques and dried wheat arrangements decorate the main dining room. The lighting is bright, and the floors are bare.

A few steps up from the main dining room is the more intimate flag room, which has two large American flags painted on the back wall.

"The decor makes people feel more comfortable," said Stillman, who has developed numerous restaurants, including T.G.I. Friday's, Smith & Wollensky and the Manhattan

(See PARK, page 4)

New health-insurance law may bruise NY operators

by Robin Lee Allen

ALBANY, N.Y. — State lawmakers have passed landmark legislation that will overhaul New York's health-insurance system by prohibiting insurers from rejecting sick and elderly applicants and by creating a community rating system where all customers pay similar rates.

New York joins a growing list of about 20 states, including Vermont and Florida, that have passed reforms designed to rein in health-insurance costs or make health care more universally available.

New York's law, which will take effect April 1, could have costly repercussions for state foodservice operators dependent on commercial insurance companies for health-insurance coverage.

Commercial carriers estimate that they will be forced to raise their rates from 30 percent to 70 percent to accommodate the law's requirement that they accept all applicants. Several commercial carriers say these higher rates will drive them from the New York market by alienating customers and substantially eating into profits.

(See NY, page 109)

INSIDE

Details can make or break an operation
Rick Van Warner/Page 25

San Jose State's 'diner-friendly' programs
Segment Study/Page 33

Distributor shows offer diverse benefits
Patterson/Page 40

Hail Caesar! Nation retosses salad classic

by Theresa Howard

From Maui to Montauk chefs, owners and operators are rewriting the recipe for Caesar salad.

Once perceived as a special-occasion salad available only at fine white-tablecloth restaurants, Caesar salads are quickly finding their way into the mainstream as fast feeders, family restaurants and casual- dinner-house operators add them to their menus and menu boards.

A sun-dried tomato pizza Caesar salad from Eddie's Grill in Phoenix.

But today's Caesar salads are a far cry from the original recipe created in 1924 by Italian chef Caesar Cardini in Tijuana, Mexico.

The traditional salad includes romaine lettuce, croutons, garlic, Parmesan cheese, anchovies, raw egg, olive oil, lemon juice, salt and crushed black pepper.

But operators are redefining the classic preparation by adding such ingredients as fried calamari, avocado, mesquite-grilled shrimp, fresh crab, rosemary chicken, blackened tuna

(See CAESAR, page 108)

Wendy's Thomas set to deliver MUFSO address

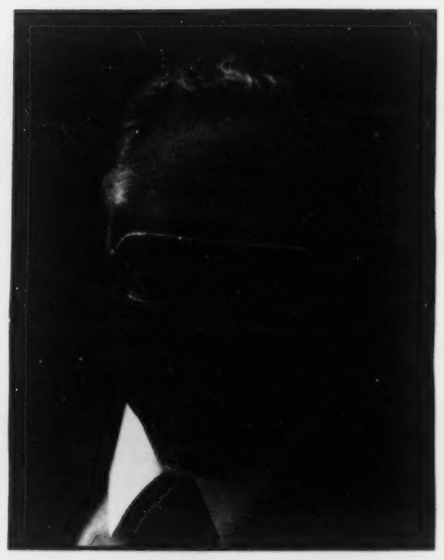
by Milford Prewitt

DALLAS — R. David Thomas, the founder and senior chairman of Wendy's, whose starring role in the chain's television commercials has factored in the company's eye-popping rebound, will deliver a keynote address at Nation's Restaurant News' Multi-Unit Foodservice Operators, MUFSO, conference here.

A man who has professed a love of the hamburger business since he was 8 years old, Thomas is expected to talk about how individual initiative and creativity contributed to Wendy's success.

The morning address on Sept. 22 ties in with this year's MUFSO theme, "Imagination — Thinking Beyond the Limits."

The appeal of Thomas' commercials has been widely credited in investment and restaurant circles for helping to spark Wendy's impressive turn-



Dave Thomas

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NEWS BRIEFS

Calif.'s hike in work-comp rates marks 5-year high

LOS ANGELES — California's insurance commissioner has approved a 6.7-percent increase in workers compensation insurance premiums, the highest rate hike in more than five years but a fraction of the 23.1-percent boost sought by insurance providers.

The California Restaurant Association opposed the insurance industry's request, saying that the state's workers compensation system was fraught with fraud and should be overhauled before higher premiums are considered.

Under the newly approved rate structure, California restaurateurs and other employers now pay about $8.35 per $100 in payroll. Insurers contended that they need a higher rate to stay solvent because of skyrocketing costs.

"The increase is further evidence that the system has become a de facto welfare system and a de facto health-care system with absolutely no cost controls in place," said Jo-Linda Thompson, a CRA legislative official.

Food costs firmer, but still decline during June

WASHINGTON — The costs of wholesale foods declined 1.8 percent in June on an unadjusted, annual basis, firming up slightly from the prior month, according to the Labor Department's Producer Price Index.

Prices for the finished consumer foods category of the PPI, or wholesale food costs, had decreased 2.3 percent year-to-year in May and 1.9 percent in April.

Fresh and dried fruits were among the food commodity groups to sustain a major drop in price, down 39.4 percent on an annual unadjusted basis. Fresh and dried vegetables followed suit, declining 36.8 percent.

But corn prices were up 6.1 percent, cheese was up 7.8 percent and dairy products increased 5.8 percent.

In the meat categories, pork fell 0.6 percent, poultry declined 1.2 percent and beef and veal prices decreased 4.1 percent.

Koo Koo Roo founders resign, become licensees

LOS ANGELES — Koo Koo Roo co-founders Mike Badalian and Ray Badalian have sold a majority of their stake in the company and resigned as board members and officers.

The Badalians, who will be come franchisees under the deal, sold 200,000 shares each to Koo Koo Roo chairman and chief executive Ken Berg and director William Walter, plus another 200,000 shares to other investors. Berg also has an option to buy an additional 200,000 shares from the brothers by July 29. In total, the 800,000 shares would represent 19.5 percent of the company's stock.

The Badalians received the rights to franchise 25 restaurants in the Los Angeles area, an existing Studio City, Calif., unit, plus stock options for the issuance of up to 50,000 Koo Koo Roo shares. They would still hold 200,000 shares in the company even if Berg exercises his option.

Canteen purchases Tri-R Vending

SPARTANBURG, S.C. — Canteen Corp. has acquired Tri-R Vending Service Co., a small regional contract foodservice and vending company based in Chicago.

Terms were not disclosed.

In buying 35-year-old Tri-R, Canteen strengthens its share of the vending market in the Chicagoland area to nearly 600 vending accounts, said Dwyane Anderson, Chicago regional vice president for Canteen.

Canteen, a subsidiary of TW Services Inc., was founded in Chicago in 1929. The $1.3 billion contract feeder, now headquartered in Spartanburg, S.C., has about 1,600 clients and 10,000 vending accounts.

Consolidated names president

INDIANAPOLIS — Alan B. Gilman, a management confidant for five months to Consolidated Products chairman E.W. Kelly, has been elected president and a board director of the Steak N Shake parent.

Gilman's appointment comes six months after Stephen Huse stepped down to pursue entrepreneurial restaurant ventures, including becoming a Miami Subs franchisee.

Kelly's background has been retail- and marketing-oriented.

He started his career as a management trainee with Federated Department Stores and rose in the ranks to chairman and chief executive of Abraham & Straus in New York.

In 1980, he joined Murjani International Ltd., an international marketing company, as president. After five years, he left the company to become a private investor before being tapped by Gilman to help manage Consolidated Products.

Forte ends talks with ARA over Gardner Merchant

LONDON — Forte PLC, the international hotel and foodservice conglomerate based here, has ended talks with ARA Services over the sale of its Gardner Merchant Food Services Inc. subsidiary to the Philadelphia-based service management company.

Forte, which had been in "detailed discussions" with ARA concerning its Trumbull, Conn.-based subsidiary and some of its international contract business, said that the companies were unable to reach agreement on terms and conditions, including price.

Forte has also broken off talks with the U.K.'s Compass Group plc concerning its international contract catering business.

Indications are that Gardner Merchant will remain for sale. The international catering business and Gardner Merchant were Forte's only major business segments to show sales and profit growth during the past fiscal year.

Manchu Wok buys Magic Wok chain

TORONTO — Manchu Wok, a Chinese fast-food subsidiary of Scott's Hospitality Inc., has purchased the 12-unit Magic Wok chain.

Terms of the deal were not disclosed.

Manchu Wok purchased the chain from Mark Pi's International, a Hilliard, Ohio-based foodservice company that owns and operates Mark Pi's Ancient Wok, Mark Pi's China Gate and Mark P's Express family restaurant and fast-food concepts. The addition of the 12 restaurants, half of which are in Florida, raises Manchu Wok's total to 239 restaurants.

Judge orders BK to stand trial in encroachment suit

MIAMI — A federal judge has granted Burger King franchisee Steven Scheck the right to let a jury decide if the Miami-based franchisor breached an implied covenant of good faith and fair dealing when it allowed Marriott Corp. to open a BK branch less than two miles from Scheck's Massachusetts turnpike restaurant.

U.S. District Judge William Hoeveler, who last year denied Burger King Corp.'s motion for dismissal of Scheck's landmark lawsuit, this month rejected the company's bid for a reconsideration of the earlier ruling.

Scheck's attorney, Robert Zarco, said he expects the jury trial to begin by late fall or early winter and to last about two weeks. Scheck asserts that he was driven into bankruptcy as a result of the Marriott-owned BK unit's interception of his customer traffic.

ARA taps Barratt as president of prison-feeding arm

PHILADELPHIA — William H. Barratt, a 20-year ARA Services veteran, has been named president of ARA's Szabo Correctional Services division.

He replaces Howard E. Breeden, who had held the position since 1987 and left to pursue other interests.

In his new position, Barratt will oversee the Oakbrook, Ill.-based company's growth in the rapidly expanding correctional foodservice market. Szabo currently serves more than 120,000 meals daily at 56 prisons and jails nationwide.

FINANCIAL NEWS

Luby's sales slightly up; comparable sales down

by Theresa Howard

SAN ANTONIO — Luby's Cafeterias Inc. posted an 8 percent gain in sales and a 1.5- percent dip in comparable-store sales for the third quarter ended May 31, which yielded only a slight profit increase.

While sales were up as a result of 12 new store openings, comparable-store sales were down because of traffic declines and a 0.8-percent drop in the per-person check average, to $4.98, compared with the $5.02 average tab tallied in last year's third quarter.

Those factors, coupled with an increase in taxes and some costs, suppressed profits for the third quarter, which yielded only a 0.08-percent gain in net income, to $9.053 million, John E. Curtis Jr., the company's chief financial officer, explained.

A first-time state corporate income tax law paid in the third quarter increased the company's tax rate from 34 percent to 35.5 percent — representing about 2 percent of sales — and contributed to flattened profits, he explained.

Third-quarter earnings also were held down because of an increase in operating expenses and general administration costs, which rose, as a percentage of sales, from 32.3 percent to 33.4 percent during the quarter. The increase, however, was partially offset by a decline in food costs, which were down as a percentage of sales, to 24.9 percent, compared with 25.2 percent in the year-earlier quarter.

A year-to-date increase in operating expenses and general administration costs, from $79.3 million to $85.7 million, contributed to a 4.6-percent annual drop in nine-month net income, to $22.9 million, for the period ended May 31.

Luby's again was stung by declining traffic in the third quarter, though the 1.5-percent dip was a less precipitous rate than the 5.5-percent traffic slide in the comparable period a year ago.

Curtis said traffic in the first two quarters this year was down 6 percent and 1.3 percent, respectively, compared with traffic in the same periods a year ago, when consecutive dips of 3.5 percent and 5.75 were recorded in the first and second periods.

Fiscal 1992's first-quarter traffic drop was due partly to a devastating incident last October, when a gunman shot and killed 22 customers in a Luby's unit in Killeen, Texas, Curtis said.

"In Texas there was a lot of media attention, which impacted traffic and sales for a while," Curtis explained. "There were also some additional costs associated with the Killeen incident."

Overall, Curtis said the company's sluggish performance is attributable to the current state of the economy. "This is a factor, probably, of the recession," he observed.

"Customers are not buying as much, managers are running more specials and items like the LuAnn Platter pick up in popularity in these times."

Hefty sales of the LuAnn Platter — a $3.98 blue-plate special that includes a chicken, fish or meat entrée, two vegetables and a roll — are driving per-person check averages down, Curtis said, pointing out that the dish is the chain's only "value" item among a horde of à la carte dishes.

In some of Luby's cafeterias, sales of the LuAnn Platter are running as high as 60 percent of total unit volume. The item accounts for 40 percent of sales in most units, according to Curtis.

"When people are crunching dollars, we run more casseroles and stew items, and they offer lower price points," he added.

In order to offset the drop in per-person check averages, Curtis pointed out, the company is trying to beef up both traffic and frequency by embarking on its first-ever print and broadcast advertising campaign. Currently being tested in Arizona, the commercials are representing a 0.5-percent rise in advertising costs, to 1 percent of sales.

In the past Luby's Cafeterias Inc. has relied solely on the use of billboards and word-of-mouth to bring in customers, Curtis remarked. But competition as well as a continued struggle in the cafeteria segment prompted the decision to begin a more aggressive advertising strategy.

"With the extremely competitive nature of the industry right now we feel we need to supplement what we are doing," he added. "There is more competition and more choices for the family dining dollar. We want to increase frequency and additional trial by our new marketing program."

The test commercials are two 30-second spots, one featuring 15 different varieties of the LuAnn Platter and another spot, which promotes the company's from-scratch method of home cooking.

"We have to get the message out more about our home-cooking and the restaurants as an alternative to eating at home," Curtis added.

FOOD PRICE OUTLOOK

Midwest rains in early July help crops

by Patt Patterson

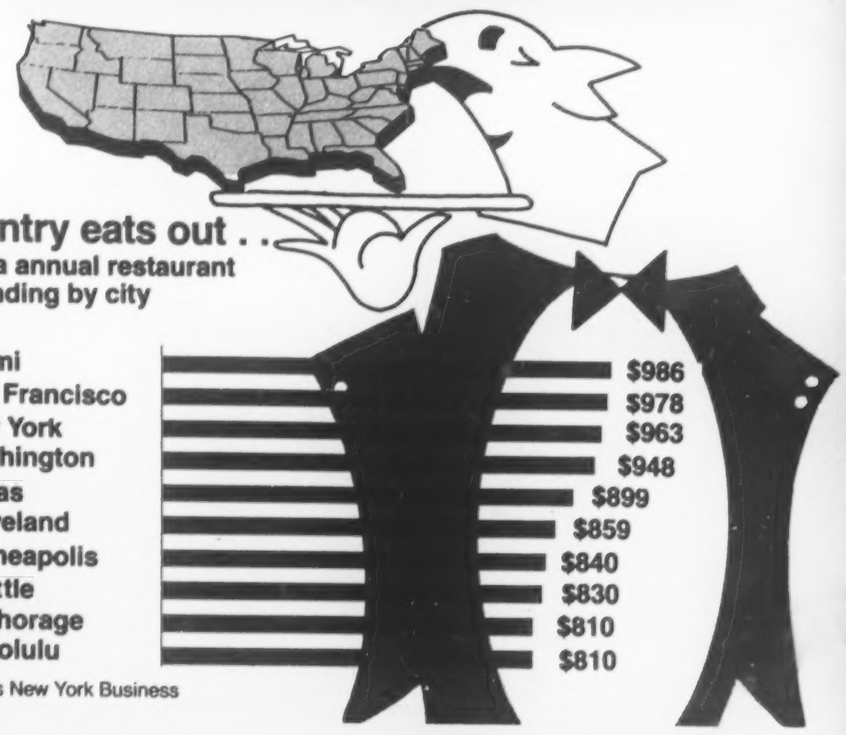
Processing **vegetable** crops in the Midwest has been helped by early July rains. Some analysts have increased their forecasts of volume available to freezers and canners. It's too early to establish prices on Midwestern products, but the outlook is for higher prices, because processors contracted for smaller acreages after being burdened with large carryovers from last season. And there was some damage done to crops by an unseasonable late June freeze, particularly in Michigan and Wisconsin.

California **fresh fruit** and **vegetable** prices are mostly low, but extremely high transportation costs for shipment to the Midwest and East Coast have pushed final costs to operators in those areas way above normal summer levels. The truck shortage for Western crops is exacerbated by a shortage of products to haul from east to west. The recession has cut shipments of auto parts, chemicals, clothing and a broad range of other products.

Add to that a number of "gypsy" truckers who were unable to be licensed under new federal regulations because of poor driving records and failure to pass tougher tests, and Western growers are stuck with bumper crops and limited transportation. A growing number of California shippers are looking longingly at railroad piggyback services, but even those are limited, both from the standpoint of available carriages and the number of piggyback trailers on hand.

Orange juice consumption is up as the result of lower pricing. Late availability of the Brazilian crop, however, may tighten supplies and push prices up . . . **Cocoa** prices on the world market are moving up, with domestic **chocolate** prices due to rise as a result . . . No definitive word yet on a workable quota system from the International Coffee Association, but world **coffee** prices have moved upward a bit on expectation of agreement upon imposition of some controls.

FACT FILE



FINANCIAL DIGEST

Marriott's 2nd-Q net climbs 7 percent

WASHINGTON — Pointing to a number of asset dispositions, Marriott Corp. reported a 7-percent year-to-year gain in second-quarter net income, to $29 million, on a 5-percent gain in revenues, to $2.03 billion, for the period ended June 19.

The giant hotelier and foodservice operator said earnings reflected the impact of several extraordinary items, including the sale of the Courtyard Hotels division. Other unusual activities that influenced earnings were interest expenses associated with the opening of the lodging and senior living facilities division as well as lower deferred gain amortization in 1992 and the issuance of stock in late 1991.

Marriott said its lodging operations, overall, reported a 6-percent sales gain and a 9-percent increase in operating profit for the second quarter.

Contract services reported a 4-percent sales increase, but a 16-percent drop in operating profit.

Marriott said its first-half net income rose 8 percent, to $40 million, on a 6-percent increase in sales, to $4 billion.

Morrison's FY revenues top $1 billion

MOBILE, Ala. — Led by a strong top-line performance from its Ruby Tuesday division, Morrison Inc. entered the foodservice industry's billion-dollar sales club for the year ended June 6, as revenues rose 7 percent, to $1.03 billion.

Net income rose 23 percent, to $32.7 million.

Morrison, which operates three restaurant chains and a contract foodservice division, said its 154-unit Ruby Tuesday casual-theme operation outpaced the other operating units. Ruby Tuesday posted a 9-percent gain in operating income, to $29.6 million, on a 32-percent rise in revenues, to $333.6 million.

Sandy Beall, president and chief executive officer of Morrison, said each division posted upswings in revenues and profits, built on effective operations, quality food delivery, strong price-value and friendly service.

Morrison's other operations included the 40-unit L & N Seafood Grills, 15 Silver Spoon Cafes and 161 Morrison's Cafeterias.

The company said its fourth-quarter net income rose $8.9 million, on a 10-percent jump in revenues, to $275.7 million.

Int'l Dairy Queen's 2nd-Q net rises 5%

MINNEAPOLIS — International Dairy Queen posted an $8.6 million net profit in the second quarter ended May 29, a 5-percent increase, on revenues of $86.5 million, a 6-percent gain.

The company did not elaborate about its results.

At the midyear mark, IDQ's net income was up 4 percent, to $13 million, on a 2-percent rise in revenues, to $143.1 million.

McD's offers plan for small shareholders

OAK BROOK, Ill. — McDonald's Corp. said it is launching a program in which investors who own less than 50 shares of the company's common stock can conveniently and cost-effectively purchase additional shares or donate the new issues to selected charities without paying a brokerage commission.

McDonald's said its offer is good for 30 days, during which time the company will make matching donations equivalent to the value of all shares donated, up to a combined maximum of $100,000 worth of stock.

McDonald's said it "is very interested in attracting and retaining individual investors." But it noted that some shareholders may have no interest in building their investments, probably because they acquired their shares as gifts or in some other indirect manner. These types of shareholders may prefer to sell their shares but have not yet found a convenient way to do so, the company explained.